

Financial Risk Management

January 2017
All Rural and Urban Municipalities

Municipalities are a local level of government. Financial management is an important role for municipalities. Voters expect the municipal council and administration to make sure public assets and funds are properly managed and protected from theft and fraud.

Municipal councils have a financial oversight role. They do not manage day-to-day operations. Good financial management policies reduce risk. This bulletin identifies ways for municipalities to reduce financial risk by outlining provincial obligations and best practices for council and administration.

Provincial laws require council to do certain things:

- Hire a qualified administrator.
- Adopt an operating and capital budget each year before approving the tax levy.
- Ensure any employee handling cash or securities is bonded or has equivalent insurance; review the amount each January.
- Appoint an independent auditor.
- Ensure that the municipality's annual audited financial statement and the auditor's report are submitted to the minister.
- Make financial statements available to the public.
- Appoint at least one other person besides the administrator to sign cheques on behalf of the municipality.
- Ensure all expenditures are:
 - approved by council resolution;
 - included in the budget;
 - for an emergency; or
 - legally required to be paid.
- Ensure borrowing is within the municipality's debt limit unless authorized by the Saskatchewan Municipal Board.

The administrator can use the following best practices to manage financial risk:

- Write financial policies and procedures, including purchasing policies.
- Train staff in cash handling and financial control measures.
- Issue receipts immediately upon receipt of payment.
- Ask citizens to make payment by cheque, debit and credit card instead of cash to limit cash collections.
- Balance cash and cheques to receipts daily.
- Make frequent bank deposits and ensure deposits equal receipts.
- Make invoices and prepared cheques available at council meetings for review and information.
- Sign and disburse cheques once payments are approved.
- Implement a strict municipal credit card policy.

- Provide monthly financial reports to council of:
 - receipts and payments;
 - monthly bank reconciliation and petty cash reconciliation; and
 - budget variance report.
- Cash handling and reconciliation duties are separate, if possible.
- Never sign blank cheques.
- Do not allow borrowing from petty cash.
- Limit petty cash transactions so most payments are made by cheque.
- Only staff have office keys. If money goes missing or financial records are tampered with, every person that has a key could be a suspect in a police investigation. Council members should not have access to the office without staff present.
- Compare invoices to original tenders, quotations, bids.

Council can use best practices to manage financial risk:

- Monitor compliance with policies and procedures.
- Appoint a finance committee, who prior to a meeting:
 - review and initial invoices; and
 - review prepared cheques.
- Council members should never handle cash. Council members are not bondable.
- Investigate reports of missing funds immediately upon discovery by forensic audit/legal authorities. Not reporting a theft may compromise investigation later and may be seen as condoning the theft.
- Change locks when a new administrator is appointed.

Council can ask questions:

- Are school taxes, municipal hail premiums, payroll and other legally required remittances paid each month?
- When are installment payments for projects due?
- What control tests does the auditor perform?

For further information on this bulletin, contact Advisory Services at the Ministry of Government Relations at (306) 787-2680 or e-mail to muninfo@gov.sk.ca.